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In the Supreme Court of the United States

October Term, 1946

No. 755

IRA J. McCULLOUGH,

Petitioner,

vs.

KAMMERER CORPORATION, a corporation, and BAASH-ROSS TOOL COMPANY, a corporation,

Respondents.

BRIEF FOR THE PETITIONER

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BRIEF FOR THE PETITIONER

OPINIONS BELOW

The opinion of the Circuit Court of Appeals and the dissenting opinion of Judge Denman (R. Vol. II, pp. 58-65) are reported in 156 F. (2d) 343, 345. The oral opinion of the District Court will be found in the record at Vol. I, pp. 46-50.

For earlier opinions in this suit see 323 U.S. 327, 148 F. (2d) 525, 138 F. (2d) 482, 39 F. Supp. 213.

JURISDICTION

The judgment of the Circuit Court of Appeals was entered June 29, 1946 (R. Vol. II, pp. 57, 66-67). A petition for rehearing was denied on Sept. 9, 1946 (R. Vol. II, p. 86). The jurisdiction of this Court is invoked under Section 240 (a) of the Judicial Code, as amended by the Act of February 13, 1925.

QUESTION PRESENTED

Whether after a Federal District Court, at the direction of the Circuit Court of Appeals, has reopened a patent suit to permit full consideration on the merits of an asserted defense of patent misuse, and has entered an order denying a motion to modify a previous decree and to dismiss the complaint on the ground that there has been misuse of the patent and in violation of the Sherman Act, such order is appealable under Section 129 of the Judicial Code providing for appeals from any decree which is final except for an accounting?

STATUTE INVOLVED

Section 129 of the Judicial Code, 43 Stat. 937, 44 Stat. 1261, 28 U.S.C. §§227, 227a, provides in part:

> "Where, upon a hearing in a district court, or by a judge thereof in vacation, an injunction is granted, continued, modified, refused, or dissolved by an interlocutory order or decree, or an application to dissolve or modify an injunction is refused, or an interlocutory order or decree is made appointing a receiver, or refusing an order to wind up a pending receivership or to take the appropriate steps to accomplish the purposes thereof, such as directing a sale or other disposal of property held thereunder, an appeal

may be taken from such interlocutory order or decree to the circuit court of appeals; and sections two hundred and thirty-nine and two hundred and forty shall apply to such cases in the circuit courts of appeals as to other cases therein: *Provided*, That the appeal to the circuit court of appeals must be applied for within thirty days from the entry of such order or decree, and shall take precedence in the appellate court; and the proceedings in other respects in the district court shall not be stayed during the pendency of such appeal unless otherwise ordered by the court, or the appellate court, or a judge thereof: *Provided, however,* That the district court may, in its discretion, require an additional bond as a condition of the appeal. * * *

"When in any suit in equity for the infringement of letters patent for inventions, a decree is rendered which is final except for the ordering of an accounting, an appeal may be taken from such decree to the circuit court of appeals: *Provided,* That such appeal be taken within thirty days from the entry of such decree or from the date of this act; and the proceedings upon the accounting in the court below shall not be stayed unless so ordered by that court during the pendency of such appeal."

STATEMENT

In granting certiorari in this case on February 3, 1947, this Court limited review to the vital procedural question presented. Though resolution of the question is comparatively simple, the result reached will have widespread effect in aiding or frustrating resistance by private parties to patent abuse in violation of the Sherman Act and the public interest. A brief review of the pre-

vious course of this litigation serves to bring into focus the issue presented.

These patent infringement suits, consolidated for trial, were previously before this Court on the question of patent misuse by virtue of restrictive covenants in a license agreement between the respondents. After certiorari had been granted and a full hearing had been held, this Court dismissed the writ without decision on the merits, because the "only question for which we granted certiorari is one not properly raised, litigated or passed upon below" and the grounds asserted for the allowance of certiorari are inadequately supported by the record." 323 U.S. 327.

The record of the case then before the Court revealed that respondent Kammerer Corporation was the owner and licensor of Reilly and Stone Patent No. 1,625,391, covering a tool for cutting and removing stuck drill pipe from oil well holes. Respondent Baash-Ross Tool Company was the exclusive licensee under the patent. Suits were jointly brought and consolidated for trial in the Federal District Court for infringement by petitioner. Petitioner, in his answers, denied both infringement and the validity of the patents, and in addition set up the defense that "the plaintiffs cannot maintain this suit because they do not come into this court with clean hands and are therefore estopped from enforcing any right of action against the answering defendant." (R. Vol. III, pp. 51-52, 78.)

It is not necessary to go into the price fixing and other restrictive covenants alleged to be in violation of the Sherman Act. Although the issue of patent mis-

use was always present, it was not pressed by petitioner and was not picked up by the lower courts *sua sponte*, as it might have been. After an interlocutory judgment and injunction had been entered and an accounting for profits and damages ordered, but postponed pending appeal, the Court of Appeals affirmed by divided vote, 138 F. (2d) 482. The patent involved expired pending review here, so that injunctive relief no longer was of consequence. This Court, after granting review because of the *patent misuse issue*, dismissed certiorari for the reasons already outlined.

On remand, the Circuit Court of Appeals was petitioned to deny the accounting because of the patent misuse, or alternatively to permit the petitioner to litigate the matter before the trial court (R. Vol. VII, pp. 1102-1104). The Court of Appeals amended its former judgment of affirmance to permit the matter to be tried before the District Court. 148 F. (2d) 525.

In accordance with this order reopening the case, petitioner moved the District Court to modify the interlocutory judgments in the consolidated cases by eliminating the provision for an accounting and also asked for final judgments dismissing the original complaints (R. Vol. I, pp. 2-4). The only issue presented was that of patent misuse, which this Court had determined had not been previously tried below. The trial court devoted a day to argument, afforded an opportunity to introduce further evidence if either party deemed that necessary, and ultimately rendered an oral opinion (R. Vol. I, pp. 46-50) and entered many new findings of fact and conclusions of law (R. Vol. I, pp. 16-26). Petitioner's motion was

denied in an order entered on June 5, 1945, by the District Court (R. Vol. I, p. 26). The Court consolidated its judgment with its findings of fact and conclusions of law in a document entitled "Findings Of Fact, Conclusions Of Law And Order Denying Defendant's Motions" (R. Vol. I, p. 16). The judgment itself was entitled "ORDER" (R. Vol. I, p. 26) and read in pertinent part:

> "It Is Therefore Ordered that the motion of the Defendant to modify the Interlocutory Judgments by striking therefrom the provision requiring an accounting to ascertain the profits and damages from the infringement by Defendant, or to stay the accounting is hereby denied;
>
> "It Is Further Ordered that the motion of the Defendant for final judgments dismissing the complaints is hereby denied . . . "

In denying the motion the trial court approved the restrictive features of the license in its findings and opinion. This was the first time that the issue of patent misuse had been passed upon by any court in this case.

This denial of the defense of patent misuse terminated the litigation in the trial court with the exception of the accounting which is proceeding and may continue to proceed for some years. Petitioner then appealed the order of June 5, 1945 to the Circuit Court of Appeals. The majority of that court held that it was without jurisdiction under §129 of the Judicial Code, since the order denying the motion to modify the order for an accounting and to dismiss the suits was not a "decree, final or otherwise." The majority held that §129, in permitting appeals in patent cases where "a decree is ren-

dered which is final except for the ordering of an accounting" still required that an accounting be held before the newly-litigated and now controlling issue of patent abuse could be reviewed. Reliance for this conclusion was placed on this Court's recent decision in *Catlin* v. *United States*, 324 U.S. 229, a suit involving land condemnation under the eminent domain power. 156 F. (2d) 343. Judge Denman, dissenting, pointed out the impropriety of resorting to cases foreign to the patent field to sustain lack of jurisdiction. He deemed the order below "a final decision on the dominant issue" of patent misuse, and the opinion of the majority "a clear case of obscuring in the form the essence of what, *under our order*,[1] the lower court *undertook and did.*" 156 F. (2d) at 346.

A word should be added about a collateral motion made by petitioner in the Court of Appeals and not involved in the present proceeding before this Court. After the order of June 5, 1945 had been entered by the trial court and appeal to the Circuit Court of Appeals, petitioner, out of an excess of caution, filed a motion in the nature of a bill of review in the Court of Appeals. (R. Vol. VII, pp. 1170-1171.) The theory of this motion was stated to be that perhaps the Court of Appeals had remanded the question of patent misuse to the District Court, "meanwhile keeping the appeal open" so that the question could ultimately be determined by the Court of Appeals. This motion, independent of the appeal taken from the June 5, 1945 order now before this Court, was denied (R. Vol. VII, p. 1180).

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[1] Italics throughout this brief may be considered as having been added by petitioner.

SUMMARY OF ARGUMENT

The test of finality of an order will vary with the statutory provision and policy involved. Section 129 of the Judicial Code has established a policy of permitting interlocutory appeals in patent cases to avoid the needless expense of an accounting for profits or damages until it can be determined that recovery may be had.

Judge Evans of the Seventh Circuit Court of Appeals was particularly active in urging the adoption of such a statutory mandate. The policy of the 1927 amendment to §129 was to eliminate the pendency of an injunction proceeding as a necessary basis for immediate review in patent cases.

Section 129 has been liberally construed. It is applicable to the present case. Here, after this Court granted certiorari but subsequently declined to consider the issue of patent misuse, the Court of Appeals amended its affirmance of the judgment below to permit consideration of the issue of patent misuse. Pursuant to this order the trial court opened the case by offering either party the opportunity to introduce further evidence bearing on the restrictive nature of the licensing agreement involved. The trial court heard argument for one day, entered additional findings of fact and conclusions of law, and rendered an opinion holding there had been no patent misuse as it interpreted the law. The court then entered an order dated June 5, 1945 denying the request to strike the order for an accounting and to dismiss the complaints. At that stage the proceeding became final except for the accounting and the case was appealable as clearly provided by §129.

The fact that a previous appeal had been taken is immaterial under §129, as this Court has held. The issue of patent abuse is sometimes injected into a case at a late stage because of the developing law and the public nature of the issue, permitting even the court to raise the question *sua sponte* at any time. Here the issue was considered on the merits by the trial court on petitioner's motion, and the resulting order of June 5, 1945 *first disposed of all questions other than profits or damages* which are to be resolved by the accounting.

The policy of this Court in aiding what is essentially defense of the public interest at private expense can be implemented only by a furtherance of the Congressional effort to eliminate needless expense in patent litigation. The expense of an accounting is so great as to induce persons charged with infringement to take a license on any terms that one may be obtained or retire from the field, instead of trying the issue of patent abuse. Permitting appeal prior to an accounting keeps down the threat of expensive litigation and thus supports the policy of the Congress and this Court.

ARGUMENT

I.

THE ORDER OF JUNE 5, 1945, WAS A DECREE "FINAL EXCEPT FOR THE ORDERING OF AN ACCOUNTING" WITHIN THE MEANING OF §129 OF THE JUDICIAL CODE.

There is no need to remind this Court that what is a final order, decree, or judgment depends upon the circumstances of a particular case and the intent of the statute involved. A final judgment of a state court sufficient to give this Court jurisdiction on appeal or certiorari may be quite different from a final order of a lower federal court reviewable on appeal.[2] By definition the final decree in patent infringement suits referred to in §129 of the Judicial Code is anything but a final order, judgment, or decree. Section 129 specifically provides that the decree which has been rendered to be appealable must be "final except for the ordering of an accounting." This amounts to saying that all the issues on the merits must have been disposed of and the only remaining question must be one of the amount of profits or damages. The purpose of the Section in patent suits is thus

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[2] The delicacy of the relationship between the states and the Federal Government has led to a strictness as to finality in review by this Court of state court judgments not practiced with respect to federal judgments even in those cases where there is an applicable statutory requirement of finality. See Boskey, *Finality of State Court Judgments under the Federal Judicial Code*, (1943) 43 COL. L. REV. 1002. Even in the state court judgment field there may be considerable question when a judgment has become final, and finality once determined may be postponed because of intervening events. Thus a final judgment ceases to be final if a petition for rehearing is filed in time. *Griffin* v. *Appellate Division*, 306 U.S. 619. And even if the petition for rehearing is filed out of time it erases finality of the judgment if the petition is in fact entertained by the Court. *Chicago G. W. R.R. Co.* v. *Basham*, 249 U.S. 164, 167; *cf. Pfister* v. *Finance Corp.*, 317 U.S. 144, 148-151.

to permit review of the issues of patent validity, infringement, and patent misuse prior to requiring the resolution of the difficult and costly question of damages.

Section 129 of the Judicial Code has sanctioned interlocutory appeals in a number of situations. The granting of an interlocutory injunction or the refusal to modify or dissolve such decree affords the basis for an immediate appeal. Thus in a patent case the entry of an order for an interlocutory injunction against infringement and requiring an accounting is appealable. In fact such an appeal was taken in the instant case and the accounting was stayed pending its outcome. Likewise an unsuccessful motion, which was actually considered by the Court, to dissolve an injunction would result in an appealable order, as we shall see. In the instant case, however, the injunction became non-operative by virtue of expiration of the patent.

Prior to 1927, the expiration of the patent in suit, and the resulting mootness of the injunction phase of the infringement proceeding, had resulted in an anomalous situation. Although the policy of the law was to permit immediate and interlocutory appeals in patent suits, the elimination of the injunction prevented appeal prior to completion of the accounting. This led to the 1927 amendment, providing for appeals in patent infringement cases when "a decree is rendered which is final except for the ordering of an accounting."

The bill which resulted in this amendment was introduced at the request of Judge Evans of the Seventh Circuit Court of Appeals, had the approval of the Commissioner of Patents, the entire patent bar, and all of

the Federal Judges. S. Rep. No. 1319, 69th Cong., 2d Sess. In support of the bill Judge Evans wrote:

". . . Some years ago the owner of a very important patent brought suit in one of the district courts of Illinois, and the defendant interposed the defense of invalidity. The case was very well contested, and the court was in doubt as to the validity of the patent. The court finally upheld the patent and found infringement. The defendant had for a long period of time been infringing the patent. It took the position that it had a right to do so and was so advised by counsel. The account was a very long one, and I am satisfied that it cost the litigants $50,000. Finally the report of the matter was confirmed by the district court and judgment was entered against the infringer for something like a million dollars.

"The case has now reached our court, and there are about 15,000 pages of testimony. The appellant insists that the patent is invalid, although its appeal is both from the award and from that part of of the decree which sustains the patent and holds the appellant as an infringer.

"If the patent should be declared invalid, all of this expense on this account will have been for naught. Not only will it have been a useless expense to the litigants, but it has taken much of the court's time.

"Appeals may now be taken from the interlocutory injunctional decree upholding the patent when a patent is granted. If, however, the patent has expired when the decree is entered, though it was in force when the suit was begun, an appeal can not be taken until a full account has been had.

"It is to remedy this situation that your bill H.R.

11840 has been introduced. I sincerely trust that it will pass at this session of Congress." (H. Rep. No. 1890, 69th Cong., 2d Sess., 1-2).

In commenting on the purpose of the 1927 amendment permitting appeals of orders not final because an accounting had not been held, the Court in *Brick* v. *A. I. Namm & Sons, Inc.*, 21 F. (2d) 179, 180 (E.D.N.Y. 1927), said:

> "Where, however, no question of injunctive relief could be decided because the patent had expired, there was nothing left to be decided but the accounting, and for all practical purposes such decree was final, yet there was no appeal provided for by statute, except and after the accounting had been completed and a final decree thereon entered. Thus, in such cases, although the higher court should subsequently decide that the patent had been invalid, or had not been infringed, nevertheless such question could not be brought before the court until the whole expense of possibly an extensive accounting had been borne and paid for, in such cases unnecessarily."[3]

The policy of Congress was thus to eliminate the pendency of the injunction in an infringement suit as a factor in immediate appealability. Congress recognized the desirability of interlocutory appeals. And both before and after the 1927 amendment the courts made it clear how broadly §129 sanctioned appeals from interlocutory orders, especially in patent cases.

Both successful and unsuccessful motions to vacate or

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[3] For the history of prior amendments to §129, see *Ward Baking Co.* v. *Weber Bros.*, 230 Fed. 142 (C.C.A. 3d, 1916).

dissolve injunctions have been held appealable under §129. *Schifrin* v. *Chenille Mfg. Co.*, 117 F. (2d) 92 (C.C.A. 2d, 1941) (motion to vacate granted); *Rivers* v. *Miller*, 112 F. (2d) 439 (C.C.A. 5th, 1940) (motion to dissolve denied); *Mississippi Valley Trust Co.* v. *Railway Steel Spring Co.*, 258 Fed. 346 (C.C.A. 8th, 1919) (motion to vacate denied); *Bothwell* v. *Fitzgerald*, 219 Fed. 408 (C.C.A. 9th, 1915) (motion to vacate granted); *American Grain Separator Co.* v. *Twin City Separator Co.*, 202 Fed. 202 (C.C.A. 8th, 1912) (motion to dissolve denied).

A denial of a motion to strike an answer has been held appealable. *Swan Carburetor Co.* v. *Nash Motors Co.*, 98 F. (2d) 115 (C.C.A. 4th, 1938). And both under the earlier text of the Section and the 1927 addition an order denying a motion to amend a complaint with respect to a patent claim—a claim which had been held unenforceable by an earlier order in the case—was held appealable. *Michigan Carton Co.* v. *Sutherland Paper Co.*, 29 F. (2d) 179 (C.C.A. 6th, 1928).

The facts of the instant case must be closely examined in determining whether the order of June 5, 1945 has achieved a degree of finality satisfying the statutory mandate that an appeal be allowed when all questions other than profits or damages have been resolved. When this case was remanded to the Circuit Court of Appeals from this Court, the Court of Appeals was asked by petitioner to pass on the issue of patent misuse or alternatively to remand the case to the trial court for determination of the final issue on the merits. On March 14, 1945 the Court of Appeals in a *per curiam* opinion said:

". . . . It is ordered that the judgment of this court be otherwise *amended* to provide that the cause be remanded to the district court and that that court may entertain a motion or motions based upon such contention to modify or set aside its order or orders for such damages and accountings thereof, and take such action thereon as it may determine." (R. Vol. VII, p. 1167). 148 F. (2d) 525, 526.

The word "amended" has been italicized for emphasis—and rightly so, for it is a key word to an understanding of what has transpired. The prior affirmance of the judgment below by the Court of Appeals was now qualified in anticipation of a further consideration of the merits in the trial court.

Upon remand the trial court, in obedience to the *per curiam* opinion of the Court of Appeals, entertained the final issue of patent misuse on the merits. It might have done so by initially vacating its judgment[4] pending hearing of the defense of patent misuse. This step was hardly necessary, however, for in the event that it determined that there had been no patent misuse the formal vacation of the earlier judgment would have been a useless act. It was therefore just as appropriate for the trial court to consider the issue of patent misuse on the merits prior to tampering with its earlier judgment. The trial court in a real sense permitted consideration of the question of patent misuse on the merits. It offered both parties the opportunity to introduce further evidence.

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[4] The effect of a rehearing is to "vacate" the former judgment "so that thereafter the cause shall stand as if no judgment had been entered." *Hook v. Mercantile Trust Co.*, 95 Fed. 41, 49 (C.C.A. 7th, 1899).

Since the license agreement was already before the court, and petitioner felt the agreement violated the Sherman Act and public policy, petitioner did not feel it necessary to introduce testimony. Nor did respondent offer any additional evidence. However, a day was devoted to argument of the legal issue presented and findings of fact and conclusions of law were entered. The order of June 5, 1945 resulted. The issue had been entertained in a real sense, but the trial court was of the opinion, which we deem erroneous, that the license agreement was not a misuse of the patent.

The question of what is a misuse of a patent has been the subject of considerable attention in this Court in recent years. It is not always clear what constitutes patent misuse. Compare *Edward Katzinger Co.* v. *Chicago Metallic Co.*, Nos. 70 & 71, Oct. T., 1946 and *MacGregor* v. *Westinghouse Electric & Manufacturing Co.*, No. 28, Oct. T., 1946, decided Jan. 6, 1947, with *Transparent-Wrap Machine Corp.* v. *Stokes & Smith Co.*, No. 208, Oct. T., 1946, decided Feb. 3, 1947. In this state of the law it is not too unusual for the issue of patent misuse to be first actively litigated at some advanced stage in a court proceeding. The issue is so vital to the public policy of the United States that a court could raise the matter of patent misuse or patent invalidity on its own motion, or on the motion of the Solicitor General. *Slawson* v. *Grand Street R.R. Co.*, 107 U.S. 649; *Beasley* v. *Texas and Pacific Railway Co.*, 191 U.S. 492; *Vitamin Technologists* v. *Wisconsin Alumni Research*, 146 Fed. (2d) 941 (C.C.A. 9th, 1944); *Gyrex Corp.* v. *Dilex Institute of Feminine Hygiene, Inc.*, 85 F. (2d) 103 (C.C.A. 2d, 1936).

See also *Hazel-Atlas Co.* v. *Hartford-Empire Co.*, 322 U.S. 238. On the previous review of the instant suit in this Court the Solicitor General appeared as amicus and urged that there had been patent misuse. This Court, however, apparently believed that the issue should first be resolved below.

All of this adds up to the fact that the developing concept of patent misuse and fraud will often be injected into a case at some unusual stage in its progress through the courts.[5] In fact the issue may be first raised during the accounting proceeding. *National Lockwasher Company* v. *George K. Garrett Company*, 137 F. (2d) 255 (C.C.A. 3d, 1943). This Court has held there is no lack of power at any time prior to the entry of final judgment at the close of the accounting to reconsider any portion of the decision and reopen any part of the case. *Marconi Wireless Telegraph Co.* v. *United States*, 320 U.S. 1, 47. That is not to say that a trial court may not under appropriate circumstances decline to hear an issue of patent misuse at an advanced stage because of the ensuing delay. Thus this Court has noted that where additional testimony must be received, that is a factor weighing against consideration of patent misuse which was not litigated at the start. *Marconi Wireless Telegraph Co.* v. *United*

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[5] Where the public interest is involved the question of diligence or want of diligence of a party to the case is relatively unimportant. "The rule is firmly established that, *whenever* in the course of the proceeding the court is informed *in any way* that the plaintiff is without clean hands, that it is using the monopoly of the patents in suit to restrain competition on unpatented things in violation of law, the court should inquire into the facts of its own accord, and if it finds the charge to be true relief should not be granted." *Frank Adam Elec. Co.* v *Westinghouse Elec. Mfg. Co.* 146 F. (2d) 165, 167 (C.C.A. 8th, 1945).

States, supra, at p. 48. There is no such question involved here as to the discretion of the trial court, for the trial court was even willing to receive additional testimony and fully considered the question of patent misuse before entering its order of June 5, 1945. Under these circumstances it is submitted that the order of June 5, 1945 was a final order or decree disposing of the case with the exception of the accounting and reviewable under §129.

It may be suggested that such an interpretation will lead to a second review prior to the accounting. This Court has not considered the necessity for a second review in the unusual circumstances here presented in a patent suit to be a bar under §129. Thus in *John Simmons* v. *Grier Bros. Co.*, 258 U.S. 82, the interlocutory decision on a request for injunction, affirmed on appeal, was reopened on a request for rehearing, and the resulting order was likewise held appealable. This patent decision was cited with approval in the *Marconi* case, *supra*, at p. 47.

II.

PUBLIC POLICY REQUIRES CONSTRUING §129 TO PERMIT AN APPEAL PRIOR TO THE ACCOUNTING ON THE NEWLY-DETERMINED QUESTION OF PATENT MISUSE.

The majority of the court below in deciding adversely to petitioner on the appeal of the June 5, 1945 order relied, with the exception of one lower court decision by the Ninth Circuit itself,[6] on cases outside of the patent

[6] This case, *Bowers* v. *E. J. Rose Co.*, 149 F. (2d) 612 (C.C.A. 9th, 1945), is not on the point here involved. In fact the opinion was written by Judge Denman who dissented in the instant case.

field. Judge Denman, in his dissent, pointed out that the majority had thus ignored the dominant public interest involved. This was particularly true in the misinterpretation and mis-application of this Court's recent decision in *Catlin* v. *United States*, 324 U.S. 229.

In the patent field, this Court has long been concerned with the monopolistic consequences of patent misuse. It has done what it has been able to do, to withhold the fruits of such abuse from persons acting contrary to the public interest or in violation of the anti-trust laws. *Cf. e.g., Keystone Driller Co.* v. *General Excavator Co.*, 290 U. S. 240; *Carbice Corporation of America* v. *American Patents Development Corporation*, 283 U.S. 27; *Morton Salt Co.* v. *G. S. Suppiger Co.*, 314 U.S. 488. The policy of this Court in recent years, it is submitted, has been to encourage resistance to unlawful extension of the privileges conferred by the patent law. The object has been to prevent unwarranted interference with normal competitive forces.

Resistance to improper claims of monopoly in a competitive field by virtue of patent protection is hampered and often rendered impossible by the great expense involved in contesting the validity of the patent said to dominate the field, or to attack its use on public policy and Sherman Act grounds. It has been generally conceded that patent litigation is expensive and that compensation for even a successful defendant in an infringement suit is wholly inadequate. Woodward, *A Reconsideration of the Patent System as a Problem of Administrative Law*, (1942) 55 HARV. L. REV. 950, 969 *et seq.* The line of least resistance is to accept a license on what-

ever terms one may be tendered or retire from the field, rather than undertake such an onerous burden of vindicating public policy.

One of the leading cases on patent accounting in the Ninth Circuit is *Dunkley Co. v. Central California Canneries,* 7 F. (2d) 972 (C.C.A. 9th, 1925). The Court of Appeals affirmed the District Court's finding of patent validity and infringement and filed its opinion on October 1, 1917 (247 Fed. 790). Almost eight years later, on September 14, 1925, the Court of Appeals affirmed the Master's Report on accounting, allowing a $12,000 fee to the Master, although plaintiff was only awarded $11,403.23 as profits and damages.

The policy of this Court in aiding what is essentially defense of the public interest at private expense can be implemented only by a furtherance of the Congressional effort to eliminate needless expense in patent litigation. The majority opinion below has struck a blow against that policy.

This broad policy in patent cases is negatived by the majority of the court below by applying this Court's opinion in the *Catlin case, supra.* It is submitted that this application is beyond the scope of the decision. The Court, in the *Catlin* case, was interpreting policy in a wholly unrelated field involving different statutory provisions. The condemnation of land under the eminent domain power will seldom result in an illegal condemnation, but will frequently result in hotly contested questions of just compensation. In such circumstances it is efficacious to postpone review until a final judgment on all matters has been entered. In keeping with this policy, under §128

of the Judicial Code, only "final decisions" in such cases are reviewable. Even in this field, the Court recognized that in the District of Columbia interlocutory decrees in condemnation suits are reviewable by virtue of the statute there prevailing permitting review of interlocutory orders. See 324 U.S. at 232, fn. 6. In the patent field there is a practical necessity, as has been seen, to avoid the expense of unnecessary accountings. In this entirely different setting, the application of the *Catlin* case is unwarranted.

It may be argued that permitting an appeal in the instant case invites the possibility of abuse by needlessly delaying the accounting. The very object of §129 is to permit the avoidance of an accounting until resolution of all questions on the merits makes it clear that such an accounting proceeding is absolutely required. However, a trial court is given discretion by §129 to permit the accounting to proceed while the appeal is pending. The accounting in the instant case is so proceeding. However, permitting an appeal in the instant case will mean that the question of patent misuse can be resolved long before the accounting proceeding can be terminated by a Master and reviewed by the courts. In the event that it should be found that patent misuse has been practiced, the accounting proceeding can be promptly terminated. The policy of §129 thus cannot be defeated by dilatory tactics, for the trial court reserves the power to expedite a case where dilatory tactics may be suspected by both permitting an immediate appeal and starting a simultaneous accounting proceeding.

The general policy of the law may be said to be one of expediting the termination of litigation. See, for exam-

ple, Federal Rule of Civil Procedure 73(a) adopted by this Court on December 27, 1946, shortening the period for filing a notice of appeal to the Circuit Court of Appeals from three months to thirty days.[7] This policy of expedition has even lead to permitting appeals on separate issues which can be successfully divorced from the rest of the proceeding pending below. *Reeves* v. *Beardall*, 316 U.S. 283. Without in any sense endorsing the practice of permitting appeals of separate issues, it may be categorically stated that there is no reason for ignoring the mandate of §129 permitting appeal of *all* issues other than the question of profits or damages in the very specialized patent field.

CONCLUSION

For the reasons stated it is respectfully urged that the judgment below be reversed.

Respectfully submitted,

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[7] This step was taken on the recommendation of the Judicial Conference of Senior Circuit Judges. See *Report of Proposed Amendments to Rules of Civil Procedure for the District Courts of the United States*, June, 1946, at p. 95.